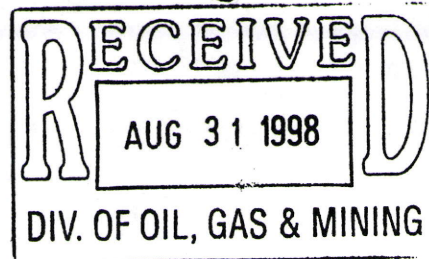


S/023/018
0007



Bountiful Utah,
997 N. Chapel Dr. # 4
Bountiful Utah, 84010
801-296-2516
8/11/98

Dear Mike,

I would have gotten back to you sooner except for the fact that I have been out of town the last little while. I would like to say that I feel that there are definitely some serious if not interesting misunderstandings between us in recent times. I hope that I can clear up most if not all of the "miscommunication" or other problems between us **(without the necessity of going to court).**

The first issue that I wish to clear up concerns your red beryl area (I am assuming that you mean the area near Wildhorse springs). As difficult as this may be to believe, I have not been to this location for many years. It would definitely be very interesting (and valuable) to me to know who gave you this information. I would really like to confront this individual personally. I checked with the BLM and they said that they had gone out to the location along with the people who have an interest in the property and have both concluded that no work had been done there since Kennecott had done some work there a number of years ago. If you need confirmation to these facts then you can check with the BLM. The reason that I have addressed this issue first is to demonstrate that things are not always as clear cut as they may at first appear to be. Misunderstandings can happen very easily and eventually get totally out of hand if they are not taken care of properly. **This is the whole theme as to what has transpired concerning the bixbyite areas.**

First of all let me just say that I do feel that at the present time that you are proceeding out of several false assumptions. What is true is that I have indeed staked a claim in that area. What is definitely NOT true is that I said in any way that your Cubical #7 claim was either invalid due to "defects", staked improperly or that I did not acknowledge its existence. I also NEVER told Tom Munson (or anyone else for that matter) that I had mined and sold thousands of dollars worth of material. The opposite is actually true. You see I never actually received your letter. The first time that I had heard about the situation was when I received a phone call from Tom concerning a letter from you (a copy of the one I did not receive). He emphasized to me the fact that you had misunderstood him concerning "the thousands of dollars worth of specimens that I had mined and sold". He told me that he had not said anything to that effect. I had also never told either Tom or anyone else that you had improperly staked your claim. I asked him if he would give me a copy of the letter, which he did.

Next of all, I did not knowingly over-stake your Cubical # 7 claim and willfully "highgrade" you under the premise that you had improperly located your claim. I also did not dig up the area with a backhoe in order to "hide" your discovery pit to aid in "jumping" your claim. You can believe what you want to, however, claim jumping or willful highgrading are NOT my style or the way I conduct business. The sample court cases that you sent me are also interesting. Believe it or not I do agree with this concept completely. I have experienced similar situations in the past and have been glad that simple oversights or mistakes in descriptions did not invalidate a claim. But the type of situation that these sample cases address do not exist in our case. I will attempt to

explain this as best as I can. I know the area where the claims are located very well, having explored it in great detail; in fact, as you must recall I am the one who first showed you the area. It is **impossible** to cover the entire "good" mineralized zones with only one claim. Also, the area has specific "zones" where there are different associations of minerals. Some areas have highly modified bixbyite crystals (sometimes with sometimes without topaz). There are other areas that have large bixbyite crystals while other areas have "clusters" similar to the floater clusters that you found years ago. I think that you get the general idea. So in order to stake a claim properly I proceeded in the "normal" way to stake a claim. I first went to the BLM office and looked at all of the files that dealt with this area to determine what ground was open and what ground might be under claim. The results were that the only active claim activity in the area was the Cubical # 2 and the Cubical # 7. I next went to your "Cubical" BLM file and investigated all of the information that was available. I made copies of all of the pertinent documents including the Cubical # 1 to 8 Claim Map. I got copies of the 7.5-degree topographic map for the area and plotted everything out in as fine a detail as I could. I even made enlargements of these maps to insure the maximum degree of accuracy. The next step that I took was to do a field survey to locate any claim posts or other monuments to determine the claim boundaries in the field including documenting all results and observations on Video Tape. These tapes are available to you any time you wish to view them. I used a GPS device to plot the location and results (of the survey) accurately on my enlarged topographic map. I checked all of the available field data starting from the Location of the former Cubical #1 all the way up to the Cubical #8. The most interesting results that I obtained was that the claim posts for the Cubical # 7 were remarkably accurate considering that you did not have GPS available in 1989. I can assure you that **I did NOT in any way** alter, move, destroy or change anything that I found in my field investigations. In fact, we never even touched any of your field markers (we only took video and made GPS measurements). According to the way the posts are positioned, the boundary between our claims is approximately 6 to 8 feet due south of the limits of our pit. As to the knowledge that I should have known that the "pits" defined the Cubical # 7 claim; the pits were not mentioned in any way in any of the documents that were on PUBLIC record (official BLM claim file). Furthermore, those pits had no real meaning to me because two of them were started by me in 1977 and the other one was done by Joe Marty around 1983. Since that time, over the years, I have gone back occasionally (either alone or to show someone the area) and did minor digging in these pits. I have also seen many other people on numerous occasions "picking" around in the pit areas. It may also surprise you to know that the small pit that is below the main workings was made by some people from the Denver area that were "passing" through the area in Feb, of 1998. No doubt I was also blamed for this pit. I had nothing to do with that work. So the fact that the pits were there had no special meaning for me as to potential claim boundaries.

I wish to give you some interesting facts that are **completely true**, although you will probably find some of them hard to believe.

1. Whether you believe it or not, the MAIN reason that I am interested in this area has nothing to do with bixbyite. Years ago I had determined, that even though there were large bixbyite crystals to be found, they were not there in sufficient quality or quantity to really make them economical. If this were not the case then I would never have let my original claims to this area lapse. You can mine more

and better quality bixbyite specimens in the Cubical #2 in one day with hand tools as you can from this area in a month with explosives. I personally think that the reason that you have a claim in this area is not because it has "great potential", but rather to tie up the ground limiting any possible competition for bixbyite specimens. In other words, to prevent the possibility of anyone else mining bixbyite specimens and competing with your market. Don't get me wrong, I do not disagree with this strategy. The reason that I am interested in the area is because it seems to have (on a local basis) decent pink topaz crystals, some of which will produce small (less than 3 ct) faceted stones. Even though the color varies considerably from one piece to the next I do have some Russian customers that are interested if the area will produce larger crystals (for stones in the 5 to 8 ct range). It is true that many times bixbyite crystals are associated with the topaz, however, it is a rare case when one is found with complete undamaged crystals of bixbyite. If you have done any work in this area yourself then you are already aware of this fact.

2. I did not make a road into this area. Some people using 4 x 4 ATVs a number of years ago (as far as I have driven on) started the road originally. **I do have** documentation (proof) to this affect. After I staked the Solar Wind claim I spent several days (over the span of a month) going over the area, in particular the area around the pit. I used **ONLY** hand tools. Later I had a friend who was working in the general area (actually near Spor Mnt.) who had a backhoe. He did me a favor and ran his machine up to this area for a couple of hours and **ONLY** removed some of the loose surface soil to expose the bed rock for me and **NOT** to hide evidence of the original pit there. That is all! **ALL** subsequent work that I did was also **ONLY** with hand tools! No explosives were used. My purpose was to really determine if this area could produce pink topaz crystals in sufficient size and quality as to make them economical to mine. If you inspect the ground carefully you will see that **NO** explosives were used (only hand tools). You must also remember that once people could see the activity from the Pony Express Road they would eventually "invade" the area. Such was the case too, on many occasions, since work began, I have observed many people in the pits. One guy even tried to drive his pickup truck all the way up. When you went up to the area with Tom Munson, you should have noticed that there was a fair number of pink topaz crystals on the dump and very few bixbyite crystals.
3. Regardless of the outcome as to which of us has the "right of way to this pit" area we both have valid (uncontested) portions of claims that have mineralization the same as is found in the contested area. It is actually ironic for me to tell you this, but, the 4 best bixbyite specimens that I found while exploring the area were from a surface pocket that I found that was at least 350 feet away from the pit.
4. As far as any responsibility or liability that you might have concerning reclamation for the work that I have done, you have nothing to worry about. Regardless of who actually owns the disputed ground, I have already talked to the BLM and have agreed to accept all responsibility for the work and I have agreed to post a reclamation bond. So this issue is no longer an issue.
5. It would be absolutely foolish (not to mention a great big waste of time and money) to have to take this issue to court. First of all, I think that you and I can

come to some sort of compromise (agreement) that would be not only satisfactory but also beneficial to both of us. We just need to carry on some meaningful dialog (negotiations) to come to a fair agreement. If you ask your lawyer, he should tell you that it would be very difficult (if not impossible) to collect any type of damages if this were to go to court. You and I would probably EACH spend several thousand dollars to take this thing to court (only the lawyers would come out on this one). All that the judge would do is listen to each of our arguments and then give the disputed ground to either you or I. No damages would be assessed because the way I proceeded with the process of staking the claim was correct and followed all of the guidelines set forth by the BLM for staking a claim. In other words, **"I acted in good Faith"** when I staked my claim. Especially when you consider that I have accepted full responsibility for reclamation, including the posting of a reclamation bond.

6. If you are interested in seeing or obtaining any copy (s) of documents that I have, including maps, etc, I would gladly furnish you with whatever you need.
7. It would really be of interest for you to know that I have not as yet sold any of the material that I collected (I did send some pieces of to my Russian connection as samples). That is why it is kind of strange that anyone (especially Tom Munson) would have told you that "I mined and sold thousands of dollars worth of specimens". Secondly, I did not get very much in the way of any really great bixbyite specimens. It is true that I did get some "decent" (but small) combinations of bixbyite and pink topaz, but nothing that you could not get in ten minutes at the Cubical # 2 claim with only hand tools. As I said earlier, it is ironic that the 4 best specimens that I found did not even come from the disputed area. It would be a waste of time worrying about "thousands of dollars worth of bixbyite specimens" that in reality never existed. Like I also said before, if you have looked this area over before, then you know that this is the truth.
8. Regardless of the outcome of who will ultimately end up with the disputed area, as I said before, each of us definitely owns a portion of uncontested mineralized ground. As such I do intend to pursue my exploration, assessment and if economical, mining of the area (**uncontested area**) for pink topaz and whatever else.

Well then the question then becomes "where do we go from here?" I would suggest that you and I negotiate a compromise settlement. It would seem to be in both of our best interest to settle this thing both fairly and quickly if possible. I will even start things off with some possible ways to settle this issue fairly and to everyone's benefit. The following are some of the ideas that we might consider (there is plenty of room for a lot more ideas than just these:

1. I would be willing to purchase the Cubical # 7 (for a reasonable amount). In addition, I would allow you access to the area (you would have mining privileges as long as they would not directly interfere with any ongoing (active) mining activities that we were doing at the time and that you not use any earthmoving type of equipment. You would have this privilege for as long as I owned the claim. This scenario would definitely have a number of advantages to you

especially since you would have access to an area that would cost you nothing in time or money to develop. The reason that I would allow such a thing is because I have a specific market for the topaz in Russia and probably would not overlap your type of market too much.

2. We could each maintain our own "uncontested" areas and "share" access to the disputed area.
3. We could work out some type of lease agreement for the disputed ground.
4. I welcome any reasonable suggestions or offers that you might propose.

I would also be interested (after we settle this thing) to maybe purchase 3 to 5 thousand dollars of mineral and/or fossil specimens of various types from you on a yearly basis. I am involved with projects in Russia and I would have a good market for the type of things that you sell.

Learn a lesson from the misinterpreted "red beryl" highgrading incident and realize that things are not always as "**sinister**" as they may at first appear. We ~~can~~ both come away from this both satisfied and better off than we were before. I am anxiously awaiting your response to my proposals.

Sincerely,

John Holfert

